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Weekly Highlights and Hot Bites #31

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Report Highlights:

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

LAWMAKERS DEMAND NAFTA RENEGOTIATION

Lawmakers, producers, and academics that participated in the Forum for Evaluating and Renegotiating the Agricultural Chapters of NAFTA, organized by the Special Rural Committee of the Agriculture & Livestock Committee, reported that Mexico is currently importing U.S. $10.0 billion worth of food products from the U.S. They stated that the total opening of the market to corn, dry beans, and milk imports in 2008 would accelerate the loss of food sovereignty. During his presentation, the president of the Hydraulic Resources Committee, Fernando Ulises Adame, stated Mexico has trade agreements with more than 40 countries that have generated few benefits. "The legislative and executive branches have not done the job right, as there is not a domestic policy that supports the agriculture sector. You cannot be competitive in the international arena with the poverty that exists in our countryside. It is the Mexican policy that has failed," he said. The president of the Agriculture and Livestock Committee, Cruz Lopez-Aguilar, stated that removing products like corn and dry beans from NAFTA would not have a negative affect on the U.S. economy because "… the U.S. economy is not characterized by its grain production." The PRI congressman underlined that the four products that will be liberated in 2008 - corn, dry beans, sugar cane and milk - represent 85 percent of Mexico's national agricultural production, and will cause an increase in the disparity of wealth between the rich and the poor in Mexico. Supporting the Mexican position, the coordinator of the Quebec Network for Canadian Integration, Pierre-Yves Serinet, pointed out that NAFTA has been disastrous for his country as well, as the agricultural economy under the free trade agreement has suffered. (EL MERCADO AGROPECUARIO, AUG. 06)

NO SUPPORT FOR NAFTA'S FULL IMPLEMENTATION IN 2008: AGRICULTURAL WORKERS

Mexico's National Agricultural Workers Confederation (CNC) criticized the Government of Mexico for leaving agricultural workers defenseless against NAFTA's full implementation in 2008. Current support programs like *Alianza por el Campo* and *ASERCA* will not be enough to compete with programs and assistance that Canada and the United States provide their agricultural industries, according to Rep. Cruz Lopez, president of the Agriculture & Livestock Commission. Therefore, says Lopez, "…we should insist on the renegotiation of NAFTA's agricultural chapter, and in case we receive a negative response, the Mexican Senate can suggest and approve, if necessary, changes to the laws related to international commerce." Hector Padilla, from the CNC, also claimed that NAFTA has been "brutal" and that a serious lack of technology, affordable raw materials, equipment, and credit, have left the agricultural sector in a vulnerable situation. He demanded the GOM approach growers and state governments to define a strategy in order to prevent tariff elimination of sensitive commodities. (LA JORNADA, AUG. 07)

NAFTA HAS BENEFITED MEXICO'S AGRICULTURE

According to Carlos Baranzini, president of Mexico's National Produce Foundation, NAFTA has brought benefits to Mexico's agriculture by forcing the application of new and innovative production technologies, and enhancing the competitiveness of the agricultural sector. He also stated that even though commercial trade has a negative impact in some agricultural activities, the final balance is positive. (EL ECONOMISTA, AUG. 07)

OPENING THE U.S. BORDER FOR MEXICAN LIVE BIRDS

"Twelve years since NAFTA was first implemented and the United States still keeps its borders closed to live birds from Mexico, while Mexico opened their border up without too many problems," stated Jaime Yesaki, president of the Agricultural National Council (CNA). Yesaki declared that the problem is that it is impossible for Mexican plants to comply with the strict sanitary restrictions imposed by U.S. inspectors. Moreover, Yesaki said, while the Mexican Secretariat of Health (SSA) visited and recognized the U.S. farms on a timely manner, their counterparts at the USDA have taken their time in justifying their right for discretion, and have not established clear deadlines for issuing a final decision. Yesaki explained that in order to be able to export to the U.S., the USDA must officially recognize that the there is a low occurrence New Castle disease on Mexican farms. (EXCELSIOR, AUG. 06)

PORK MEAT IMPORTS HAVE GROWN 600% IN THE LAST EIGHT YEARS

Mexico's pork meat imports have gone from 30,000 MT in 1995, to over 233,000 MT in 2003. According to legislators, this increase has had a negative impact in the domestic meat industry. Rep. Maria del Consuelo Rodriguez presented a motion in Congress to create an independent Livestock Commission in the Lower House that would focus on analyzing the impact of high production costs, droughts, and lack of financial options in the Mexican livestock sector in order to generate legal reforms that would enhance the industry. Rep. Rodriguez conceded that domestic production has grown 11.6% thanks to investments from foreign companies, who she accused of, "…taking over the national market, and displacing small and medium producers". (LA JORNADA, AUG. 07)

SPECIAL CUSTOMS FACILITIES FOR FOOD AND CHEMICALS

Private industry associations are confident that Mexico will soon begin its "Specialized Customs" project, which will create specific border crossings for products like agricultural commodities, food, and chemical products. This project, which was envisioned in the Security and Prosperity Partnership for North America and will be analyzed in the Competitiveness Council meetings next August 15, will enhance Mexico's export capabilities and harmonize Mexico's customs operation criteria with the United States and Canada. Meanwhile, the National Agricultural Council (CNA) expressed its concerns that these specialized customs facilities will increase the costs of international trade. (CRONICA, AUG. 07)

MEXICO WILL MEET THE TERMS OF WTO RESOLUTION

Mexico will modify six articles of the Mexican Foreign Trade Law (LCE) in order to comply with a WTO resolution involving a trade dispute with the United States over compensatory tariffs on U.S. rice imports. The GOM also announced a re-initiation of the rice antidumping investigation. Mexico's Ministry for the Economy (SE) also stated that the final resolution on whether the compensatory tariffs of up to 10% on U.S. rice will be eliminated or not will not be announced until late August or early September. (EL FINANCIERO, AUG. 10)

MEXICO'S FOOD SECTOR ATTRACTS FOREIGN INVESTORS

Information released by Mexico's Central Bank reveals that in the last seven years, Mexico has received more than U.S. $9.14 billion in foreign investment in the food sector, making it one of the most successful industries at attracting foreign investment. Investment has been concentrated in four major divisions; soft drinks and non-alcoholic beverages, cigarettes, beer and other malt beverages, and snacks. The food sector in Mexico has a relatively low level of technology adoption, thus creating an opportunity for foreign investment to introduce new equipment and production procedures. Out of the 732 foreign companies currently investing in the food sector, U.S. companies account for almost 50% of the total, followed by Dutch, Spanish, and Canadian enterprises. (EL ECONOMISTA, AUG. 11)

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MX6059	FAIRS Country Report	7/27/06
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